
HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/7/09



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HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Harbor Police Employees' Retirement System

We have audited the accompanying statements of plan net assets of the Harbor Police Employees' Retirement System (the Plan), as of June 30, 2008 and 2007 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, information regarding the Plan's net assets as of June 30, 2008 and 2007, and the changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 and the required supplementary plan information on pages 16 and 17 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Plan's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2008 on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Postlethwaite + McNeill

Metairie, Louisiana
December 19, 2008



MANAGEMENT'S DISCUSSION AND ANALYSIS

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008

This discussion of the Harbor Police Employees' Retirement System (the Plan)'s financial performance provides an overview of the Plan's financial activities for the Fiscal Years ended June 30, 2008 and 2007. Please read it in conjunction with the Plan's financial statements, which follow this section.

2008 FINANCIAL HIGHLIGHTS

- Net assets held in trust for pension benefits decreased by \$430,702 as a result of this year's operations from \$13,728,154 to \$13,297,452.
- Additions for the year were \$512,409, which comprises contributions of \$350,348, including fines of \$8,049, and net investment income of \$162,061.
- Deductions for the year were \$943,111, which comprises benefit payments and refunds of \$856,701 and administrative expenses of \$86,410.

2007 FINANCIAL HIGHLIGHTS

- Net assets held in trust for pension benefits increased by \$1,275,673 as a result of 2007 operations from \$12,452,481 to \$13,728,154.
- Additions for the year were \$2,168,750, which comprises contributions of \$280,917, including fines of \$9,385, and net investment income of \$1,887,833.
- Deductions for the year were \$893,077, which comprises benefit payments and refunds of \$835,287 and administrative expenses of \$57,790.

THE STATEMENTS OF PLAN NET ASSETS AND
THE STATEMENTS OF CHANGES IN PLAN NET ASSETS

This annual report consists of two financial statements: The Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets. These financial statements report information about the Plan and about its activities to aid in the assessment of whether the Plan, as a whole, has improved or declined as a result of the year's activities. The financial statements were prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned and expenses are recorded in the year they are incurred, regardless of when cash is received or paid.

The Statements of Plan Net Assets shows the balances in all of the assets and liabilities of the Plan at the end of the fiscal year. The difference between assets and liabilities represents the Plan's net assets. Over time, increases or decreases in the Plan's net assets provide one indication of whether the financial health of the Plan is improving or declining. The Statements of Changes in Plan Net Assets shows the results of financial operations for the year. The statement provides an explanation for the change in the Plan's net assets since the prior year. These two statements should be reviewed along with the information contained in the financial footnotes, including the required supplementary schedules, to determine whether the Plan is becoming financially stronger or weaker.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS

2008 STATEMENTS OF PLAN NET ASSETS

The Plan's assets consist mainly of investments and receivables related to contributions. Between Fiscal Year 2007 and 2008, total assets decreased by \$418,314 from \$13,741,027 to \$13,322,713 because the market value of the plan investments in equity securities decreased offset by the increased investments with limited partnerships and LAMP.

Liabilities mainly consist of administrative expenses and have increased from \$12,873 to \$25,261 from Fiscal Year 2007 to 2008.

Net assets held in trust for pension benefits decreased \$430,702 or 3.1% primarily due to a decrease in investment returns.

2007 STATEMENTS OF PLAN NET ASSETS

The Plan's assets consist mainly of investments and receivables related to contributions. Between Fiscal Year 2006 and 2007, total assets increased by \$1,272,799 from \$12,468,228 to \$13,741,027 because the revenues received by the Plan exceeded pension benefit payments to retirees and beneficiaries.

Liabilities mainly consist of administrative expenses and have decreased from \$15,747 to \$12,873 from Fiscal Year 2006 to 2007.

Net assets held in trust for pension benefits increased \$1,275,673 or 10.2% primarily due to improved investment returns.

2008 STATEMENTS OF CHANGES IN PLAN NET ASSETS

ADDITIONS TO PLAN ASSETS

	2008	2007	Increase (Decrease)
Contributions	\$ 350,348	\$ 280,917	\$ 69,431
Investment Income	162,061	1,887,833	(1,725,772)
Totals	<u>\$ 512,409</u>	<u>\$ 2,168,750</u>	<u>\$ (1,656,341)</u>

Additions consist of contributions from the Board of Commissioners of the Port of New Orleans (sponsoring entity), contributions from Harbor Police active members, fines, and investment income. Contributions increased due to an increase in covered payroll. Investment income decreased 91.4% mainly due to unfavorable market conditions. Investment expenses as a component are able to be separated due to having specific investment consultants and managers. Total additions decreased 76.4%.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2008

DEDUCTIONS FROM PLAN ASSETS

	2008	2007	Increase (Decrease)
Benefits paid	\$ 786,931	\$ 720,864	\$ 66,067
Refunds and adjustments	69,770	114,423	(44,653)
Administrative expenses	86,410	57,790	28,620
Totals	<u>\$ 943,111</u>	<u>\$ 893,077</u>	<u>\$ 50,034</u>

Deductions consist of pension and death benefit payments to retirees and beneficiaries, refunds of contribution and administrative expenses. Benefits paid increased by 9.2% primarily due to an increase in retirees and beneficiaries, including DROP payments. Refunds and adjustments decreased by \$44,653 due to a decrease in the volume of refunds related to a decrease in active employee turnover 2008. Administrative expenses increased 49.5% because of additional consulting fees, audit fees, and trustee expenditures incurred during 2008.

2007 STATEMENTS OF CHANGES IN PLAN NET ASSETS

ADDITIONS TO PLAN ASSETS

	2007	2006	Increase (Decrease)
Contributions	\$ 280,917	\$ 352,987	\$ (72,070)
Investment Income	1,887,833	1,140,216	747,617
Totals	<u>\$ 2,168,750</u>	<u>\$ 1,493,203</u>	<u>\$ 675,547</u>

Additions consist of contributions from the Board of Commissioners of the Port of New Orleans (sponsoring entity), contributions from Harbor Police active members, fines, and investment income. Contributions decreased due to decrease in the number of active participants. Investment income increased 65.6% mainly due to improved market conditions. Investment expenses as a component are able to be separated due to having specific investment consultants and managers. Total additions increased 45.2%.

DEDUCTIONS FROM PLAN ASSETS

	2007	2006	Increase (Decrease)
Benefits	\$ 720,864	\$ 766,892	\$ (46,028)
Refunds and adjustments	114,423	38,182	76,241
Administrative expenses	57,790	46,950	10,840
Totals	<u>\$ 893,077</u>	<u>\$ 852,024</u>	<u>\$ 41,053</u>

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2008

Deductions consist of pension and death benefit payments to retirees and beneficiaries, refunds of contribution and administrative expenses. Benefits paid decreased by 6.0% primarily due to a decrease in DROP payments. Refunds and adjustments increased by \$76,241 due to an increase in the volume of refunds related to increased employee turnover following Hurricane Katrina in 2006 and 2007. Administrative expense increased 23.1% because of administration change.

RETIREMENT SYSTEM AS A WHOLE

The Plan uses the aggregate actuarial cost method whereby the actuarial liability is equal to the actuarial value of assets and there is no unfunded actuarial accrued liability. The Retirement Committees of the Louisiana State Legislature have adopted the ratio of the actuarial value of assets to the Projected Benefit Obligation (PBO) as one of the measures of funding progress of public retirement systems in the State. The PBO is the actuarial accrued liability under the Projected Unit Credit Actuarial Cost Method. The funded ratio on this basis is 87.8% for 2008 and 104.5% for 2007.

THE PLAN FINANCIAL MANAGEMENT

The financial report is designed to provide our members, customers and other interested parties with a general overview of the Plan's finances and to show the Plan's accountability for the money it receives. If there are any questions about this report or a need for additional information, contact the plan administrator at #1 Third Street, New Orleans, Louisiana 70130.

FINANCIAL STATEMENTS

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2008 AND 2007

<u>ASSETS</u>		
	<u>2008</u>	<u>2007</u>
<u>CASH EQUIVALENTS</u>	\$ 616,010	\$ 280,025
<u>RECEIVABLES:</u>		
Member contributions	8,501	10,548
Employer contributions	15,787	19,588
Accrued interest	6,589	2,967
Other	-	2,395
Total receivables	<u>30,877</u>	<u>35,498</u>
<u>INVESTMENTS</u> , at fair value		
Equity securities	5,577,125	7,019,746
Fixed income	1,273,697	1,031,238
Limited partnerships	5,825,004	5,374,520
Total investments	<u>12,675,826</u>	<u>13,425,504</u>
<u>TOTAL ASSETS</u>	13,322,713	13,741,027
<u>LIABILITIES</u>	<u>25,261</u>	<u>12,873</u>
<u>NET ASSETS HELD IN TRUST FOR</u> <u>PENSION BENEFITS</u>	<u>\$ 13,297,452</u>	<u>\$ 13,728,154</u>

The accompanying notes are an integral part of these statements.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ADDITIONS:</u>		
Contributions:		
Members	\$ 107,592	91,411
Employer	199,814	169,762
Employee prior period pay back	34,893	10,359
Fines and other	8,049	9,385
Total contributions	<u>350,348</u>	<u>280,917</u>
Investment income:		
Net appreciation in fair value of investments	80,271	1,704,833
Interest and dividends	153,008	218,113
	<u>233,279</u>	<u>1,922,946</u>
Less investment expense	<u>(71,218)</u>	<u>(35,113)</u>
Net investment income	<u>162,061</u>	<u>1,887,833</u>
Total additions	<u>512,409</u>	<u>2,168,750</u>
<u>DEDUCTIONS:</u>		
Benefits paid:		
Life annuity payments	786,931	718,833
Death benefit payments - lump sum	-	2,031
Refunds and transfers of contributions	69,770	114,423
Administrative expenses	86,410	57,790
Total deductions	<u>943,111</u>	<u>893,077</u>
<u>INCREASE (DECREASE) IN PLAN NET ASSETS</u>	(430,702)	1,275,673
<u>NET ASSETS HELD IN TRUST FOR PENSION</u>		
<u>BENEFITS - BEGINNING OF YEAR</u>	<u>13,728,154</u>	<u>12,452,481</u>
<u>NET ASSETS HELD IN TRUST FOR PENSION</u>		
<u>BENEFITS - END OF YEAR</u>	<u>\$ 13,297,452</u>	<u>13,728,154</u>

The accompanying notes are an integral part of these statements.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Reporting entity

The Harbor Police Employees' Retirement System is a public corporation created to administer a retirement plan (the "Plan") for participating commissioned members of the Harbor Police Department of the Board of Commissioners Port of New Orleans (the "Police Department"). The Plan is administered by an eight member Board of Trustees. The Plan was created by Act 80 of 1971, as amended by various subsequent Acts, of the Louisiana Legislature (the "Act").

Plan administrator

The Board of Trustees has engaged third parties to provide actuarial services, consulting services, investment services, and to assist with certain administrative functions of the Plan.

General

The Plan is a single-employer defined benefit, contributory plan that covers all commissioned officers and certain employees of the Police Department who were under the age of 50 on the date of employment.

Membership

At June 30, the membership of the Plan consisted of:

	<u>2008</u>	<u>2007</u>
Active members	<u>37</u>	<u>41</u>
Inactive members		
Retirees	30	32
DROP	5	2
Beneficiaries	8	7
Pending refunds	<u>26</u>	<u>31</u>
	<u>69</u>	<u>72</u>
Total	<u>106</u>	<u>113</u>

Benefits

The Plan, as amended, allows for members to retire at age 60 with 10 years of service, at age 55 with 12 years of service, at age 45 with 20 years of service, and at any age with 25 years of service.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

Benefits (continued)

Member benefits are equal to 3½% of average final compensation, as defined, multiplied by creditable service years, not to exceed 100% of final salary. The Plan also provides benefits for surviving spouses and disabled members. If a member resigns from the Police Department before retirement, accumulated employee contributions are refunded to the employee without interest.

The Plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits Plan members to continue working at their jobs and draw regular salary for the lesser of five years or the number of years which, when added to the number of years of creditable service equals thirty-two. Effective July 1, 2008, this option permits Plan members to continue working at their jobs and draw regular salary for the lesser of five years or the number of years which, when added to the number of years of creditable service equals thirty-five. While in DROP neither employee nor employer contributions are paid into the plan. The retirement benefits that would be payable to the retiree are allowed to accumulate in a special account for later distribution. Interest is not paid on the account but if the member meets his contractual obligation of retiring at the end of the DROP period then he receives an amount compounded in a manner like interest that is based on a percentage rate set annually by the Board of Trustees. At the end of the DROP period the member can receive a lump payment of the DROP account, a life annuity or other method approved by the Board of Trustees.

The Board of Trustees is authorized, under certain conditions, to provide annual cost-of-living increases. The cost-of-living adjustments may not exceed 3% of the current benefit (5% of the current benefit for age 65 or older). A cost-of-living adjustment was made in 2008 and 2007 in the form of an increase in the monthly benefit of 3% of the participant's monthly benefit amount for participants under age 65 and 5% for participants age 65 and over. An action of the Board of Trustees with respect to cost-of-living adjustments as provided in R.S. 11:3685(D), employee contributions as provided in R.S. 11:154, and actuarial assumptions as provided in R.S. 11:3688(D), are considered amendments to the provisions of the Plan. Other amendments would require the Louisiana Legislature to revise the statutes. No amendment to the plan can deprive any member of a benefit to which he is already entitled.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Plan's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Investment purchases and sales are recorded as of their trade date. Employer and member contributions are recorded in the period the related salaries are earned. Administrative expenses are funded from investment earnings. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments, including limited partnerships, are reported at fair value when published prices are available or at cost when it approximates fair value. Investments that do not have an established market are reported at estimated fair value. The fair value of the limited partnerships is determined based on the underlying net assets of the private investment companies which are primarily readily marketable securities. A portion of the underlying investments are non-marketable securities whose fair values have been estimated by the managements of the underlying funds. Each of the limited partnerships has certain restrictions with respects to rights of withdrawal. The limited partnerships generally require written notification and withdrawals are possible at certain dates, ranging from forty-five days to annually.

Pension plan investments and financial statements are subject to market fluctuations that can rapidly change the fair value on a day-to-day basis. Such market swings can create material changes in unrealized appreciation (depreciation) of investments.

Use of estimates

The Plan Administrator and custodian have made significant estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of factors related to such assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Payment of benefits

Benefit payments to participants are recorded upon distributions.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents

Cash equivalents include \$616,010 and \$280,025 held in Louisiana Asset Management Pool at June 30, 2008 and June 30, 2007.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pools is the same as the value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Investments

Investments at June 30, 2008 and 2007 were as follows:

<u>Securities Type</u>	<u>2008</u>	<u>2007</u>
Equity securities	\$ 5,577,125	\$ 7,019,746
Fixed income	1,273,697	1,031,238
Limited partnerships	5,825,004	5,374,520
Total investments	<u>\$ 12,675,826</u>	<u>\$ 13,425,504</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Credit Risk

Under the Act, the Board of Trustees has the power to invest and reinvest funds in accordance with the prudent-man rule limitations set forth in subtitle 1, Chapter 4 Part II of Title 11. The Plan has no investment policy that would further limit its investment choices.

Limited Partnerships

In fiscal years 2008 and 2007, the Plan invested in six and five limited partnerships, respectively. Each partnership investment is managed by nonaffiliated independent managers employing various investment strategies. These investments are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Plan's name.

The following table summarizes the partnership investments with managers as of June 30, 2008.

Investments	Cost	Market Value	Net Unrealized Appreciation (Depreciation)
Golden Tree High Value Yield Fund Offshore, L.P.	\$ 1,100,000	\$ 1,687,447	\$ 587,447
Ironwood Capital Partners L.P.	1,100,000	1,739,151	639,151
Emory Partners, L.P.	1,000,000	1,389,960	389,960
Americus Real Estate Fund IV, Ltd.	403,212	455,521	52,309
Equitas Evergreen Fund, L.P.	500,000	552,925	52,925
Total limited partnerships	<u>\$ 4,103,212</u>	<u>\$ 5,825,004</u>	<u>\$ 1,721,792</u>

Following is a brief description of the partnership investments as of June 30, 2008.

- **Golden Tree High Value Yield Fund Offshore, L.P.** - (Approximate ownership is 0.5%) is an exempted limited partnership organized under the laws of the Cayman Island which commenced operations on November 5, 2001. The Partnership's principal objective is to achieve, risk-adjusted total returns by investing on a long only basis in primarily public and private non-investment grade and non-rated debt securities. Golden Tree High Yield Value Offshore GP, Ltd. is the General Partner responsible for the management and operation of the Partnership. Golden Tree Asset Management, L.P. is the management company that provides administrative services to the Partnership and is the investment manager of the fund.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Limited Partnerships (continued)

- **Ironwood Capital Partners, L.P.** – (Approximate ownership is 2.0%) is a Delaware limited partnership, which commenced operations on July 1, 2000. The Partnership's objective is to achieve substantial capital appreciation with limited variability of returns. The Partnership attempts to accomplish this objective by allocating capital among a number of independent investment managers acting through pooled entities such as limited partnerships, limited liability companies and offshore corporations or through managed accounts. The majority of these managed accounts employ "relative value" and arbitrage strategies whereby they attempt to limit risk by investing both long and short in related securities and other financial instruments in a manner that reduces overall market sensitivity.
- **Emory Partners L.P.** – (Approximate ownership is 1.9%) was organized on April 19, 1995 under the laws of the State of California. The Partnership is engaged primarily in speculative trading of options on futures contracts and futures contracts on financial instruments, physical commodities, and other commodity interests. Stile Partners, LLC, a Delaware limited liability company, is the general partner of the Pool.
- **Americus Real Estate Fund IV, Ltd.** – (Approximate ownership is 3.8%) creates subsidiaries of the Partnership to acquire commercial real estate primarily leased to public tenants. The Partnership's investment objective is to convert existing operating leases held by public tenants into capital leases. Newly created Partnership plans to invest in class A, B & C commercial office buildings and industrial properties valued between \$3 million and \$20 million.
- **Equitas Evergreen Fund, L.P.** – (Approximate ownership is 0.02%) was formed June 18, 2003 as a Delaware Limited Partnership and invests in nonaffiliated limited partnerships employing various strategies, including but not limited to, arbitrage, equity hedge diversified, equity hedge international, equity sector hedge, emerging market and high yield.

Concentration of Credit Risk

Excluding the above partnerships and investments issued or guaranteed by the U.S. Government, the Plan has no investments in any single organization that represents five percent or more of the Plan's net plan assets, nor does the Plan hold more than five percent of any corporation's stock at June 30, 2008 and 2007.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Funding of the Plan is provided from contributions from members and the Board of Commissioners Port of New Orleans (the "Port"), as specified in the Act. Members contribute, by payroll deduction, 7% of defined compensation.

The Port is required to make contributions to the Plan at actuarially determined rates expressed as a percentage of members' defined compensation; however, the maximum contribution by the Port shall not exceed thirteen percent of defined compensation. Level percentages of payroll employer contribution rates are determined using the entry age normal actuarial method until assets exceed the accrued actuarial liability, at which point the aggregate actuarial method is used. The aggregate method was applicable for fiscal years 2008 and 2007. This method produced required employer contribution levels, including fines, at 32.86% and 12.58% of covered payroll for 2008 and 2007, respectively. Fines were approximately 0.2% and 0.8%, respectively, of covered payroll for fiscal years ending 2008 and 2007. The Port directly funded at the limited rate of 13% of covered payroll for fiscal years 2008 and 2007.

5. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2008, the most recent actuarial valuation date, the plan was 89.3% funded. The actuarial accrued liability for benefits was \$14.8 million, and the actuarial value of assets was \$13.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.5 million, and the ratio of the UAAL to the covered payroll was 109.3%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents current year information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Multiyear trend information will be presented in future years.

REQUIRED SUPPLEMENTARY PLAN INFORMATION

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

REQUIRED SUPPLEMENTARY PLAN INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2008	13,232,258	14,824,016	1,591,758	89.26%	1,455,889	109.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FINES

Fiscal Year Ended June 30	Contributions		Employer Annual Required Contribution (including fines)		Employer Contributions and Fines as a Percentage of Annual Required Contributions		Employers' Contribution (excluding fines) limited to 13% by Act
	Employer Contributions	Fines	Total				
2003	192,676	26,775	219,451	363,803	60%		192,676
2004	199,970	30,315	230,285	330,290	70%		199,970
2005	217,479	18,403	235,882	340,775	69%		217,479
2006	216,565	19,810	236,375	261,528	90%		216,565
2007	169,762	9,385	179,147	173,542	103%		169,762
2008	199,814	8,049	207,863	478,405	43%		199,814

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

ACTUARIAL METHODS AND ASSUMPTIONS
YEAR ENDED JUNE 30, 2008

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	June 30, 2008
Actuarial cost method	Aggregate actuarial cost method, a method which does not identify or separately amortize unfunded actuarial liabilities
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7% per annum
Mortality	Mortality rates were projected based on the 1971 Group Annuity Mortality Table, Male set back five years for females.
Termination, disability and Retirement	Termination rates were similar to the experience of other police plans throughout the state. Disability rates were based on the Eleventh-Actuarial Valuation of the Railroad Retirement System. Early retirement rates assumed were 10% for ages 45 to 49, 20% for ages 50 to 62, and 100% for ages 63 and over. Actual retirement of people eligible for retirement prior to the traditional age of 65 are dependent on intangible things such as the economy, health, financial ability, the Social Security System, and work patterns.
Salary growth	5% per year
Cost-of-living adjustments	Accumulated cost-of-living adjustments are included in costs. Adjustments for the next year are projected but future cost-of-living increases which are contingent on satisfaction of statutory requirements and approval by the Board of Trustees are not projected.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Harbor Police Employees' Retirement System

We have audited the financial statements of the Harbor Police Employees' Retirement System (the Plan), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Plan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Plan's financial statements that is more than inconsequential will not be prevented or detected by the Plan's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Plan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Plan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Plan's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, Plan sponsor's management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Netterville

Metairie, Louisiana
December 19, 2008

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: unqualified opinion
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: yes; Material weaknesses: no
- (c) Noncompliance which is material to the financial statements: no

(2) Findings Related to the Financial Statements Reported in Accordance With Government Auditing Standards

2008-1 INTERNAL CONTROL OVER FINANCIAL REPORTING

Condition: General ledger account reconciliations for some significant accounts or transaction classes were not performed in a timely manner.

Criteria: The definition of internal controls over financial reporting is that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertions embodied in the annual financial statements, which for the Plan is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Our responsibility under current audit standards requires us to communicate this issue to management and the Trustees.

Effect: During the course of our audit procedures, we identified significant adjusting entries to general ledger accounts.

Cause: Clear responsibility for the performance of these reconciliations was not designated to a particular individual.

Auditors' recommendation: All significant general ledger accounts should be reconciled in a timely manner and reviewed by management. This review should be documented.

Management response: Effective July 2008, management hired a new third party administrator. The new third party administrator has implemented a double entry general ledger system and has put policies in place to reconcile major accounts.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008

2007-1 INTERNAL CONTROL OVER FINANCIAL REPORTING

Condition: General ledger account reconciliations for some significant accounts or transaction classes were not performed in a timely manner.

Current Status: See repeat finding 2008-1.